



FISCAL MEMORANDUM

HB 519 - SB 884

April 25, 2022

SUMMARY OF BILL AS AMENDED (017570, 018104): Exempts physicians and osteopathic physicians from the occupational privilege tax. Prohibits a licensing board or agency from suspending a taxpayer's application for renewal of a professional license or registration for failing to pay a tax delinquency or deficiency, including penalties and interest, prior to renewing the license or registration. Encourages the Supreme Court to establish amended rules, as the court may determine necessary, that are consistent with this prohibition.

FISCAL IMPACT OF BILL AS AMENDED:

Decrease State Revenue – Net Impact – \$9,707,800/FY22-23 and Subsequent Years

Decrease State Expenditures – \$34,000/FY22-23 and Subsequent Years

Increase Local Revenue – \$92,100/FY22-23 and Subsequent Years

Other Fiscal Impact – Prohibiting a licensing board or agency from suspending a taxpayer's application for renewal of a professional license or registration could impact taxpayer compliance and associated tax revenue collections. However, due to multiple unknown variables, any additional decrease in state revenue cannot be quantified with reasonable certainty.

The FY22-23 budget recognizes a recurring decrease in state revenue of \$9,707,800 and a recurring decrease in state expenditures of \$34,000.

Assumptions for the bill as amended:

- The proposed legislation will first apply to tax payments due on June 1, 2023; therefore, the first-year impact will be in FY22-23.
- Based on information provided by the Department of Revenue (DOR), there were an estimated 24,834 occupational privilege taxpayers in FY20-21 that will become exempt pursuant to this legislation. This number is assumed to remain constant in perpetuity.
- The decrease in state revenue is estimated to be \$9,933,600 (24,834 x \$400) in FY22-23 and subsequent years.
- For government employees that are subject to the occupational privilege tax, the agency they work for will pay the \$400 fee.

- Based on information previously provided by the Department of Human Resources, it is estimated that the state pays for 85 persons that would be exempt under the proposed legislation.
- The decrease in state expenditures is estimated to be \$34,000 (85 x \$400) in FY22-23 and subsequent years.
- Based on information from DOR, 32.4 percent of taxpayers in these occupations are estimated to be out-of-state.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent
- Fifty percent of tax savings from in-state taxpayers, net of the amount paid by the state on behalf of such taxpayers, or \$3,346,065 $\{ [(\$9,933,600 - \$34,000) \times (1-.324)] \times 50\% \}$ will be spent in the economy on sales-taxable goods and services in FY22-23 and subsequent years.
- The increase in state sales tax collections is estimated to be \$225,753 $[(\$3,346,065 \times 7.0\%) - (\$3,346,065 \times 7.0\% \times 3.617\%)]$ in FY22-23 and subsequent years.
- The increase in local sales tax collections is estimated to be \$92,124 $[(\$3,346,065 \times 2.5\%) + (\$3,346,065 \times 7.0\% \times 3.617\%)]$ in FY22-23 and subsequent years.
- The net decrease in state revenue as a result of this legislation is estimated to be \$9,707,847 $(\$9,933,600 - \$225,753)$ in FY22-23 and subsequent years.
- Prohibiting a licensing board or agency from suspending a taxpayer's application for renewal of a professional license or registration could impact taxpayer compliance and associated tax revenue collections. However, due to multiple unknown variables, any additional decrease in state revenue cannot be quantified with reasonable certainty. Any impact on local sales tax revenue is assumed to be not significant.
- Any impact on licensing fee revenue to the various licensing boards and agencies is unknown but assumed to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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